GOVERNMENT OF INDIA
SHIPPING, ROAD TRANSPORT AND HIGHWAYS
LOK SABHA

UNSTARRED QUESTION NO:1706
ANSWERED ON:10.12.2008
LIQUIDITY CRISIS IN INDIAN SHIPPING INDUSTRY
Gaikwad Shri Eknath Mahadeo

Will the Minister of SHIPPING, ROAD TRANSPORT AND HIGHWAYS be pleased to state:

(a) whether the liquidity crisis in the West has hit the Indian shipping industry as reported in the Mint dated 06 October,2008;

(b) if so, the details thereof;and

(c) the steps taken/proposed to be taken to enable the Indian shipping industry to sustain the impact of such crisis?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF SHIPPING,ROAD TRANSPORT AND HIGHWAYS (SHRI T.R.BAALU)

(a) & (b): Yes Sir.Since,shipping industry depends largely on borrowed funds (about 70-80% of the vessel cost is paid through borrowings),the effect of the recent liquidity crisis has been that many of the banks to whom requests are sent for financing are either not responding or quoting higher interest as compared to the rate which was being quoted before the liquidity crisis. This will impact the pace of acquisition of shipping companies.The effect on each company would, however,vary as financing depends on the size of the company, its track record and strength of its balance sheet.

(c): As the financial crisis has ramification across the economies of virtually all nations, the concerted global efforts including those by the Government of India to ease the impact are expected to boost the trade and this in turn will help the shipping industry.